

SOVIET "NEUTRALIZATION" CAMPAIGN

- I. With long-last French, German ratification Paris Accords, Soviet campaign to block West German rearmament has entered a new phase.
 - A. While still insisting Accords action has made talks on Germany impossible, Moscow has produced new element-- apparent willingness to talk on Austria.
- II. Kremlin may see an Austrian treaty as a means of preventing German rearmament.
 - A. Now plugging possibility of Austrian "settlement"--on condition Austria observes strict neutrality--in effort to whet West German appetites for similar "settlement" there.
 1. Commies "leaking" story that what Moscow really wants is protective belt of neutral states on western frontier (from Sweden through Germany and Austria to Yugoslavia).

~~SECRET~~
B. Too early, now, to say just when possible gain in Germany will make Kremlin pay price of an actual agreement on Austrian treaty.

III. Even while such "settlement" still only conversation, USSR hopes exploit Austrian hopes by forcing them forego such links with West as NATO or close ties with Bonn.

A. Immediate Kremlin aim--very firm commitment to neutrality from Austrian leaders (April trip to Moscow).

B. Moscow also wants right to send troops back into Austria if "direct threat of Anschluss" seen.

IV. Meanwhile, in order to convince Western Europeans that rearming West Germany is futile, Kremlin is publicizing increase in Orbit security measures (first announced at Moscow conference, Dec '54).

A. Soviet Bloc states have announced (21 March) mutual aid treaty, unified Bloc

1. To take effect when Paris Accords completely ratified.
 2. Would include Soviet, all E. E. Satellites.
- B. Arrangement would provide ready-made excuse for maintenance Soviet forces in Hungary, Rumania.
- C. East Germans have jumped gun, announced that ratification by Bonn has forced them to take "defense measures" now.
1. However, previous statements suggest formal creation East German armed forces likely to await actual establishment West German army.
- D. Satellites announcing increases in defense spending--Czechoslovakia (34%), Poland (12%).